Saskatchewan Milk Control Board Update

August 16, 2010

QUOTA EXCHANGE

There was no market-clearing price established for the August, 2010 Quota Exchange. The results of the Quota Exchange are outlined in the following Table.

The next Quota Exchange will be held on September 15, 2010. All offers to sell and bids to purchase quota through the Quota Exchange must be received at the Board office by midnight, September 6, 2010. The Board recommends that offers and bids be submitted well in advance of the deadline date to ensure adequate time for corrections, if necessary.

Just a reminder to producers that when making bids on the Quota Exchange, the price on offers to sell quota is the minimum price that the producer is prepared to accept for that quota. Only if the market-clearing price is equal to or greater than the producer's minimum price will that producer qualify for participation in the Exchange. Conversely, the price on offers to purchase quota is the maximum price that the producer is prepared to pay for that quota. Only if the market-clearing price is equal to or less than the producer's maximum price will that producer qualify for participation in the Exchange.

The clearing price is set at the price where the smallest difference exists between the accumulated volume offered for sale and the accumulated volume bid to purchase.

AUGUST 2010 QUOTA EXCHANGE RESULTS

Market Clearing Price per kilogram of butterfat	**$ -----**
Daily Kilograms offered to Purchase	**35.00**
Kilograms offered to Sell	**25.80**
Kilograms sold	**-----**
Number of Producers	
- offered to purchase	**3**
- purchased quota	**0**
- offered to sell	**3**
- sold quota	**0**

AUGUST 2010 QUOTA EXCHANGE CLEARING PRICE RESULTS

Price ($/daily kg b.f.)	No. of Sellers	Cumulative Sellers	Daily Kgs b.f. offered for sale	Cumulative sales	Cumulative Sales less Cumulative purchases	Cumulative purchases	Daily Kgs b.f. offered to purchase	Cumulative Buyers	No. of buyers
23,900	0	0	0	0	-35.00	35.00	9.00	3	1
25,000	0	0	0	0	-26.00	26.00	20.00	2	1
25,700	0	0	0	0	-6.00	6.00	6.00	1	1
29,500	1	1	2.00	2.00	2.00	0	0	0	0
29,747	1	2	17.80	19.80	19.80	0	0	0	0
30,550	1	3	6.00	25.80	25.80	0	0	0	0

HOW TO BUY OR SELL DAILY QUOTA ON THE EXCHANGE

With the change from annual quota to a daily quota, there are some changes to submitting bids on the Quota Exchange. There are two steps to convert your bid, whether buying or selling, from annual to daily quota. For the purposes of this example, an annual quota bid of 3,000 kgs of butterfat at $60.00/kg will be converted to a daily quota bid.

Step 1: Convert annual kgs of butterfat to daily kgs of butterfat.

3,000 kgs ÷ 365 = 8.22 kgs/day (Daily Quota is calculated up to 2 decimal places)

Step 2: Convert bid to dollars per kg per day

$60 × 365 = $21,900.00

Therefore, the bid, whether buying or selling would be:

- 8.22 kgs/day at the price of $21,900 to obtain an equivalent bid of 3,000 kgs at $60/kg under the annual quota policy.

The monetary value of this bid would be:

8.22 kgs/day × $21,900/kg = $180,018

TRANSFER CREDIT SUMMARY REPORT

MONTH	# OF PRODUCERS TRANSFER IN	# OF PRODUCERS TRANSFER OUT	TOTAL KGS BUTTERFAT
August 2009	1	1	422
September	16	14	16,407
October	13	13	13,416
November	19	19	26,752
December	19	26	24,684
January/2010	14	14	17,760
February	11	12	10,421
March	8	9	4,251
April	21	14	15,941
May	16	12	16,293
June	17	14	17,870
July	12	9	7,641

SUMMARY REPORT OF CREDITS AS OF July 30, 2010 – 192 PRODUCERS

DAYS	# OF PRODUCERS	POSITIVE CREDITS ACCUMULATED (KGS OF BUTTERFAT)
+10	4	2,433.60
+ 5 to +10	20	20,316.89
0 to + 5	31	8,133.94
TOTAL	55	30,884.43
DAYS	**# OF PRODUCERS**	**NEGATIVE CREDITS ACCUMULATED (KGS OF BUTTERFAT)**
-30	6	-4,156.00
-25 to -30	4	-10,334.99
-20 to -25	4	-9,934.10
-15 to -20	13	-16,069.16
-10 to -15	25	-31,536.76
-5 to -10	28	-27,434.23
0 to 5	57	-16,101.65
TOTAL	137	-115,566.88

OVER QUOTA (OVER 10 DAYS) REPORT BY MONTH

MONTH	# OF PRODUCERS	BUTTERFAT
August 2009	5	588.48
September	7	922.57
October	13	4,466.11
November	13	2,682.50
December	14	3,267.51
January 2010	16	5,444.53
February	20	3,338.69
March	15	2,743.20
April	16	3,158.36
May	9	2,330.81
June	5	360.48
July	4	504.85

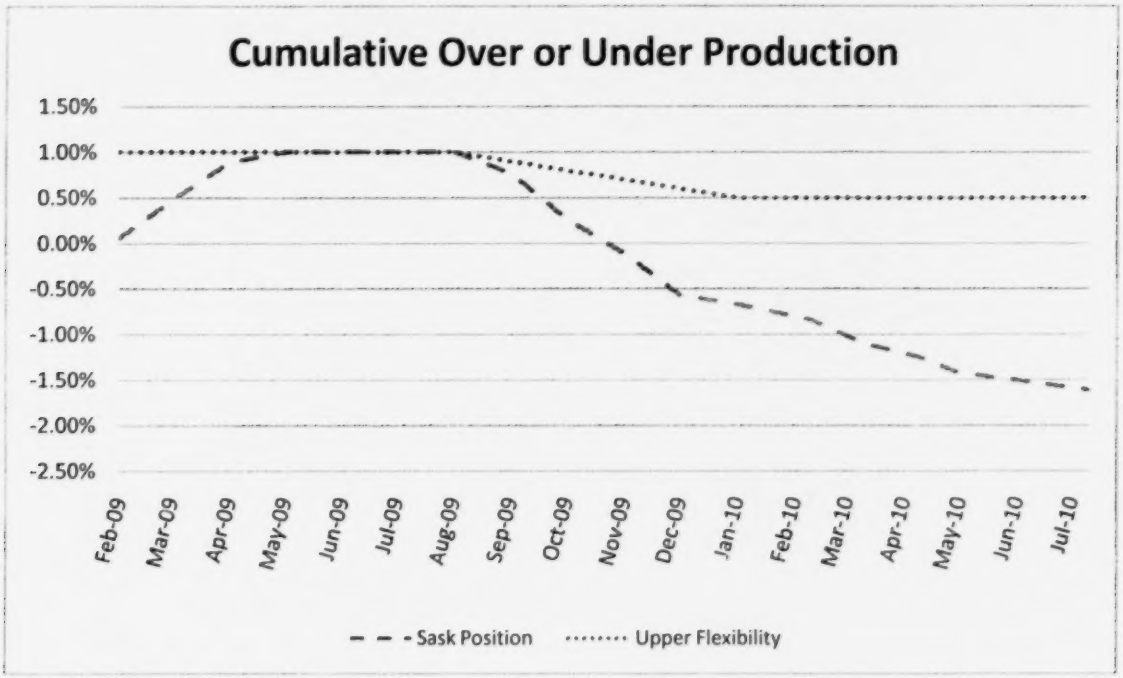
WEIGHTED AVERAGE COMPONENT TESTS & PRICES July 2010

Components	Average Test	Price per kilogram Class 1 to 5
Butterfat	3.6275	$11.046682
Protein	3.1726	$ 8.046682
Other Solids	5.6941	$ 1.120864

Based on the average component tests for the province, the average price received was $71.9832 per hectolitre. **The average butterfat price received per kilogram was $19.83.**

SASKATCHEWAN MILK POOL RESULTS July 2010

Milk Sale Revenue	$ 14,184,179.34
Western Milk Pool	$ -277,288.96
Dairy Farmers of Canada Skim Off	$ -19,054.62
Plant of Last Resort Service	$ -57,003.27
Total Pool Value	**$ 13,830,832.49**



PRODUCER TRANSFER CREDIT LIST

The Board will be maintaining a Producer Transfer Credit list to assist producers in transferring credits (in or out) with another producer.

Producers wanting to transfer credits (in or out) with another producer can contact the Board to have their name added to the Board's Producer Transfer Credit List. This list is posted on the Board website and is also available by weekly email or upon request by fax, email, or regular mail. The Board will also enclose the list with the monthly newsletter.

The transfer credit list will be updated on a daily basis as requests come into the office. Postings will be dated and kept on the list for two months. It is up to the producer to contact the Board to repost their name after the two month period is up, or to have their name removed from the list if it is no longer required. Producers may contact the Board at 787-5319 or 787-6457 for additional assistance.

In July, Saskatchewan had a monthly CDC allocation of **704,201 kilograms** of butterfat. In the month of July, Saskatchewan production was **-6,712 kilograms** of butterfat **under** and cumulatively **under** by **-138,045 kilograms** of butterfat. On a percentage basis, Saskatchewan is at **-1.61%** within our CDC allocation flexibility limits based on the Continuous Quota model.
*The -1.50% lower limit (up to -2.00% if the WMP is above -1.50%) does not come into effect until August 2010.

	(1) Monthly Total Production Kgs bf	(2) Total Monthly CDC Quota Allocation Kgs bf	(3) Monthly Over or (Under) Production Kgs bf col. 1 – 2 = 3	(4) Lower Flexibility Limit **(1.5%)** Kgs bf col. 9 * -1.5%	(5) Upper Flexibility Limit **1.0%** Kgs bf col. 9 *1.0%	(6) Cumulative Over or (Under) Production with limits Kgs bf	(7) Cumulative Over or (Under) Production with limits in % col. 6 / 9	(8) Over Quota or (Lost Production Opportunity) Kgs bf	(9) Rolling 12 Month Total Quota Kgs bf
Jul-09	712,229	708,281	3,948	(130,318)	86,879	**86,879**	**1.00%**	3,878	8,687,893
Aug-09	714,200	703,553	10,646	(130,198)	86,799	**86,799**	**1.00%**	10,727	8,679,854
Sep-09	682,235	702,484	(20,249)	(130,044)	78,026	**66,550**	**0.77%**	-	8,669,604
Oct-09	707,240	750,251	(43,010)	(129,817)	69,235	**23,540**	**0.27%**		8,654,437
Nov-09	690,742	723,613	(32,871)	(129,718)	60,535	**(9,331)**	**-0.11%**		8,647,851
Dec-09	723,022	763,216	(40,194)	(129,616)	51,846	**(49,525)**	**-0.57%**		8,641,040
Jan-10	718,404	726,215	(7,811)	(129,294)	43,098	**(57,335)**	**-0.67%**		8,619,609
Feb-10	646,894	662,212	(15,318)	(129,128)	43,043	**(72,653)**	**-0.84%**		8,608,523
Mar-10	714,037	735,808	(21,771)	(128,999)	43,000	**(94,424)**	**-1.10%**		8,599,939
Apr-10	694,816	707,608	(12,792)	(129,004)	43,001	**(107,216)**	**-1.25%**		8,600,248
May-10	708,117	722,125	(14,008)	(128,956)	42,985	**(121,224)**	**-1.41%**		8,597,078
June-10	684,369	694,478	(10,109)	(171,997)	42,999	**(131,333)**	**-1.53%**		8,599,843
July-10	697,489	704,201	(6,712)	(128,936)	42,979	**(138,045)**	**-1.61%***		8,595,753

(1) Monthly Production in Saskatchewan
(2) Total Monthly Quota = Class 1 sales + Monthly MSQ + Carry Forward
(3) Difference between the monthly production (1) and the total monthly quota (2)
(4) The Lower Flexibility Limit is -1.5% of Rolling 12 Month Total Quota (9)
(5) The Upper Flexibility Limit is 1.0% of Rolling 12 Month Total Quota (9)
(6) Previous Month Cumulative Over or (Under) Production + Current Monthly Over or (Under) Production (capped at lower or upper limit if applicable)
(7) Equal to Column (6) expressed as a percentage basis within the flexibility limits
(8) Over Quota or (Lost production opportunity) outside of flexibility limits
(9) Total Monthly CDC Quota Allocation for the previous 12 months

INCENTIVE DAYS AUGUST & SEPTEMBER, 2010

The Milk Control Board will be issuing incentive days for the months of August and September. Two (2) incentive days will be issued in August, and two (2) incentive days will be issued in September.

Incentive day credits are temporary quota allocations that are intended to stimulate production for specific months when the Board feels more production is required. Incentive day credits are used after a producer's monthly quota allocation is filled. If you do not use the incentive day credits in the month they are available, you lose the opportunity to produce them. **Incentive day credits cannot be transferred to other producers and they do not affect a producer's cumulative credit position.**

Depending on the provinces' cumulative position in the upcoming months additional incentive day credits ***may*** be made available in future months.

August, 2010 - Two (2) incentive days available
A producer who has a daily quota of 100 kgs. = 200 incentive credits

Incentive days used

Actual Shipments	Monthly Allocation	Incentive Credits Available	Incentive Credits Used	Monthly Over/(Under)
3,500	3,000	200	200	300

Incentive days partial use

Actual Shipments	Monthly Allocation	Incentive Credits Available	Incentive Credits Used	Monthly Over/(Under)
3,100	3,000	200	100	0

Incentive days not used

Actual Shipments	Monthly Allocation	Incentive Credits Available	Incentive Credits Used	Monthly Over/(Under)
2,800	3,000	200	0	(200)

Please contact the Board office if you require further clarification regarding production incentive days.

It is possible that the Canadian Dairy Commission will issue a quota increase following the Canadian Milk Supply Management Committee meeting being held in Ottawa later this month. Should a quota increase be issued nationally, the Board will notify producers by special notice as soon as this information is available. No further details on this potential increase are available at this time.

ACCOUNTING VALUES FOR CLASSES OF MILK August 2010

	Butterfat ($/kg)	**$ per hl. Skim milk)**	
Class 1a	$5.4000	$68.22	
Class 1b	$5.4000	$66.57	
Class 1c	**As approved by the Board**	**As approved by the Board**	
	Butterfat ($/kg)	**Protein ($/kg)**	**Other Solids ($/kg)**
Class 2	$7.5345	$5.6453	$5.6453
Class 3a	$7.5345	$13.1870	$0.8946
Class 3b	$7.5345	$12.9343	$0.8786
Class 4a, 4b, 4d & 4d(1)	$7.5345	$5.2469	$5.2469
Class 4a(1)	$7.5345	$2.60	$2.60
Class 4c	**As approved by the Board**	**As approved by the Board**	**As approved by the Board**
Class 4m	$1.1500	$1.1500	$1.1500
Class 5a	$3.9434	$4.7657	$0.4127
Class 5b	$3.9434	$2.4810	$2.4810
Class 5c	$4.3300	$2.2562	$2.2562
Class 5d	**As determined by**	**the Canadian Dairy**	**Commission**

QUOTA LISTING SERVICE

The Board offers a free quota listing service as part of its Newsletter. Anyone wishing to sell or purchase quota and/or cows or miscellaneous dairy equipment is welcome to contact the Board office at (306) 787-5319. All prices and negotiations will be independent of the Milk Control Board.

Wanted – Quota & Cows to Purchase

- Wanted – cows and quota – Contact Don (306) 270-4700
- Wanted – Dairy Cows or bred heifers. Call anytime/leave message (604) 855-2731 or (306) 867-2176

Quota &/or Cows for Sale

- Two registered Holstein heifers for sale due August 25th. Contact Lloyd Sawatzky at (306) 239-4818
- Milk Cows for sale Milmore Farms Ltd. Contact Kees or Anna (306) 933-9485.

Equipment For Sale

- 3000 gallon Mueller HiPerform milk tank with cooling condensers and compressor. Contact Holstein Haven Ltd. (306) 228-2921 or (306) 228-3846.

- Alfa Laval Agri Maestro Double ten milking parlor made for double seven at present. Contact Holstein Haven Ltd. (306) 228-2921 or (306) 228-3846.

- 2000 gallon Delaval tank. Call James Hein (306) 365-3209

- Like new Knight Reel – Auggie 3250 Stationary Feed Mixer with 15' Conveyer & Electronic Scale – Phone (306) 280-6408

- - manure dumplids 4' x 8' - $400 each
  - 1 – 2,000 imp. gal poly water tank - $500
  - 160 cozy cow mattresses 64" - $25 each c/w heavy duty cover
  - various swing gates 4 and 5 bar, 10 to 14 ft.
  Call Frans @ (306) 826-5776 – home or (306) 823-7262 - Cell

- 2000 U.S. Gallon Alfa-Laval Milk Tank with cooling condensers and compressors. Contact Ferch Farms (306) 736-2205.

- Dairy Equipment for Sale: 1 18" x 10' belt conveyor; 6 Waikato milk meters; 6 Delaval milk machines with vacuum pulsators; Delaval vacuum pump with 7.5 hp motor. Contact Lloyd Sawatzky, Saskatoon, SK Phone (306) 239-4818. Cell (306) 281-2247.

- Conveyors, 2-14 ft x 18 inch, 1-42 ft x 18 inch; 2 – 6 inch electric augers, 10 & 14ft; Harvestore, Goliath and Hercules unloaders; Contact Leonard Blocka (306) 764-8439 or cell (306) 960-6608.

- 16 Waikato milk meters $250 each; 5,000 gallon new Delaval bulk tank, made in U.S.A. $50,000. Contact Corman Holsteins (306) 933-4608

Feed For Sale

- 155 hard core 1000 lb bales of 95% Alfalfa for sale. 3rd year crop, no chemicals used. A bit rich for most horses and meat cattle. Good for dairy cows. Located in Bulyea, 1 hour north of Regina. Can arrange for loading. Contact Brenda @ (306) 725-3367.

- For sale: 70 second cut Alfalfa round bales. Net wrapped, no rain, 19.9 protein 1650 lbs. Call (306) 948-2395 Biggar, Saskatchewan.

- Alfalfa for sale. Contact Ron (306) 477-2570 or Ken (306) 374-8980.

- All Large square bales: Flax (awesome for wind break); Canola straw and Greenfeed. Call Jake Boot (306) 867-9926 or (306) 867-3899.

- 70 Bales 2nd cut Alfalfa RFV 150; Prot. 19.2; T0N 62.8; $110/ton obo
  Phone (306) 493-2482 Delisle, Saskatchewan

- 2nd cut alfalfa round bales, net wrap. Est. 1400 lbs.; Analysis available; Protein 19.76%. Phone or fax (306) 228-3727; Unity, SK

- 6 quarters of hay/alfalfa available for long-term contract – you specify the preferred mix and handling. Ten minutes north of Estevan (306) 634-4382.

- 134 top quality 2nd cut alfalfa hay bales, very clean, all leaves intact. Call for more info. Taking offers (306) 276-2003 Nipawin

- Dairy Quality Hay 4 Sale – delivered. Contact Dale @ (204) 638-5581. Dauphin, Manitoba.

- 50 Acres Greenfeed barley for sale in Bellevue area (63 day barley seeded July 5). Fields are clean. Can sell standing or baled. Taking offers. Contact Andy Grenier at Home: (306) 423-5682 or Cell: (306) 233-7835.

Miscellaneous

- Hoof Care Trimming. Modern one of a kind trimming chute. Cattle, horses, donkeys, llamas. 22 years trimming experience. Box 35, Moose Jaw, SK. Telephone (306) 694-4234; cell: (306) 631-8013.

Miscellaneous - Wanted to Purchase

- Used Ration Master II Processor (used for feed stations)
  Contact Margaret at (306) 782-7240.

- Looking for Delaval Cream Separators any shape or size. Contact Paul or leave message at (306) 677-2232 Ext. 6315

- Used bulk tanks, all sizes. 300-600 preferred. Abe Buhr, 18 Westcott Bay, Brandon, Manitoba R7B 2V6 Phone (204) 727-3074.

Continuous Quota FAQs

A list has been compiled of questions most frequently asked by producers.

INCENTIVE DAY CREDITS- Do incentive day credits change my cumulative position?

No. Incentive day credits do not change your cumulative position. In months where incentive day credits are available, first you fill your quota, then, if you are over your monthly quota, the additional kilograms are applied against the incentive day credits. If your production does not exceed your monthly quota allocation you will not be able to use the incentive day credits. **You must use the incentive day credits in the month that they are available.**

Will my credit position change on August 1, 2010 if I was in a pre-fill position with 4m dollars being withheld and do not achieve a cumulative credit position of 0 days or less by July 31, 2010, thereby forfeiting those 4m dollars?

No, your credit position will not change; you will still be responsible for dealing with your positive credits.

How can I get my 4M dollars back?

The following condition must be met to get back the 4M dollars held by the Board:

When July 31, 2010 production is reconciled, a producer must be at or below zero cumulative kgs of butterfat. If a producer is still at positive credits or positive credit days, **no 4M dollars will be refunded.** These dollars will be added into the September, 2010 month-end pool and paid out October 15, 2010. All producers will share in these dollars.

It does not matter if a producer is at or below zero kgs of butterfat during any of the months throughout the year. **The day of reconciliation is based on August 1, 2009 to July 31, 2010 production.**

If Saskatchewan had been in a prefill situation before the change to Continuous Daily Quota this would also have been the case.

What can I do to get down to zero positive credits or credit days?

Producers have a number of options they can use to get their quota position back in line. They can transfer in credits, buy quota, decrease the number of cows being milked, etc.

A significant portion of the 4M dollars were paid out in September 2009. The remainder of your prefill is shown as kgs of butterfat on your quota management sheet.

If the province is over quota as of July 31, 2010 will I still get all my 4M dollars back if I am at zero credits or credit days?

Yes.

What happens to my negative credits that I have accumulated if I exit the industry (sell out)? What if I stop shipping milk before the quota transfer date?

When selling out, your daily quota (TPQ) is transferred to the purchasing producer using the Quota Transfer Form. Accumulated negative transfer credits are transferred using the Transfer Credit Form and may or may not be transferred to the producer purchasing your daily quota depending on the deal that you have struck. The Board will calculate the final available negative credits accumulated.

Should a producer cease shipments at least one full calendar month prior to the quota transfer date, that producer may transfer 95% of the estimated negative transfer credits that would accumulate in the month that no milk was shipped for an effective date of the first of the same

month. The final available negative credits, the remaining 5%, that would have accumulated prior to the transfer date will be calculated by the Board and be available for transfer.

For example, if a producer ceases shipping milk on August 31st with an effective sale date of October 1st, 95% of the estimated negative credits that will be accumulated in the month of September may be transferred for a September 1st effective date. In early October, the Board will calculate the final negative credit total and those negative credits may be transferred to another producer at that time.

What happens to my 4M dollars if I leave the industry before July 31, 2010?

If a producer who is in pre-fill leaves the industry before July 31, 2010, **they will forfeit all 4M dollars held by the Board.** The 4M dollars will go into the September 2010 month-end pool and all producers will share in those dollars.

The 4M Dollars held by the Board will only be refunded back to producers in prefill who meet the zero or less cumulative position for the July 31, 2010 reconciliation.

What is the deadline for transferring negative credits if I exit the industry?

Producers who exit the industry will have the opportunity to transfer negative credits to other producers for a period of two months.

For example, if a producer exits the industry effective September 1st, that producer will have the opportunity to transfer any negative credits for the months of September and October. Any credits not transferred after that date will be lost. The deadline for transferring credits is the 20th of each month, therefore the deadline to transfer credits to another producer would be October 20th.

If my TPQ is reduced, either through a quota sale or quota reduction, and this causes me to exceed the +10 days cumulative position, what happens?

If a producer exceeds the +10 day limit as a direct result of a reduction in TPQ, that producer's TPQ will be capped at +10 days. No penalty will be assigned for exceeding the +10 day limit under this circumstance; however overproduction in the future will be penalized.

Are positive credit transfers permitted in farm splits?

No, positive credits cannot be transferred to another farm under any circumstance.

What is the deadline for transfer credits?

The transfer credit deadline for any month is by midnight of the 20th. For example any transfer credit forms in the Board Office on or before midnight of October 20th will be effective October 1st.

Where can I find producers wanting to transfer credits?

The Board will maintain a web page with producers wanting to transfer credits in or out. It will be updated on a daily basis as requests come into the office. Producers who do not have internet access can call the Board and have the information faxed to them.

Producers wanting their name posted on the web page can contact the Board. Postings will be dated and kept on the website for 2 months. It is up to the producer to have their name reposted after the 2 months or removed if they fill their requirement before the 2 month period is up.

What is the maximum amount of transfer credits that I can transfer out in a month?

The maximum transfer credits a producer can transfer out in a month are equal to what the producer's cumulative under position was in the previous month. You can only transfer out to a cumulative position of zero credits.

The maximum a producer can transfer out in a rolling 12 month period is 15%.

What is the maximum amount of transfer credits that I can transfer in?

There is no limit to the amount of credits that can be transferred in a rolling 12 month period. The only limit when transferring in credits would be to not drop below the -30 credit day limit at the end of each month or you will have lost the opportunity to carry-forward those credits to produce that milk in the future.

MILK CONTROL BOARD MEMBERS

Blaine McLeod - Chairman	Dairy Producer - (306) 756-2775
Dale Strudwick – Vice-Chair	Dairy producer - (306) 771-4186
Alvin Schultz - member	Dairy producer - (306) 254-4301

For further information, please contact the Saskatchewan Milk Control Board office.

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